

KING COUNTY WATER DISTRICT NO. 90
King County, Washington
January 1, 1992 Through December 31, 1993

Schedule Of Findings

1. District Commissioners Should Establish Controls To Monitor Latecomer Service Agreements

Our audit indicated the district does not have control procedures to monitor requests for latecomer service agreements, to identify that such service requests have been approved by the board, and to verify the accuracy of the front footage charge. In September 1994, district management provided an individual latecomer's water connection that was not approved by the board of commissioners. The connection, to the "new" watermain installed in 1990, was authorized by one commissioner, who instructed the general manager to install the service. The front footage charge assessed was the \$4 per linear foot, which was the approved rate for the "old" abandoned main, as opposed to the \$17.08 rate recommended for the new watermain. The net loss to the district, by charging the lower, improper rate was \$8,972.88 for the 686 feet of front footage involved in this one connection.

Article VIII, Section 7 of the *Constitution of the State of Washington* states in part:

No county, city, town, or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual

It appears district management acted upon the apparent authority of one board member to complete the above connection prior to the upcoming commissioners meeting. The incorrect rate was charged due to the commissioner being unaware of the correct rate for connecting to the new line. As a result, private individuals appear to have benefitted at the district's expense.

We recommend district commissioners and management establish controls to monitor latecomer agreements and act to protect district assets by:

- a. Establishing a district policy and supporting procedures to review and approve all requests for latecomer service agreements.
- b. Setting special service charges, including latecomer's agreements, meter installations, and general facilities charges at a level which will provide for replacement of the physical plant as needed.
- c. Codifying these policies, and their subsequent revisions, in board resolutions approved at district board meetings.
- d. Explore the district's legal remedies for collecting the charges that should have been paid with the latecomer service agreement in question.

2. District Officials Should Comply With The Requirements For Preparing Meeting Minutes And With The Open Public Meetings Act

Our audit of board meeting minutes indicated several areas in which the district did not comply with the Open Public Meetings Act nor prepared minutes to document the meetings held. There were seven instances in which the commissioners did not adequately record their executive sessions. There were two instances of a meeting having occurred, but no minutes were prepared. In seventeen instances, the board minutes did not indicate the detail of vouchers approved for payment. In five instances, the amounts reported as authorized per blanket voucher requests did not agree with the total vouchers issued by King County. These exceptions violate one or more provisions of state law as noted in the following citations:

RCW 42.30.110 (2) states in part:

Before convening in executive session, the presiding officer of a governing body shall publicly announce the purpose for excluding the public from the meeting place, and the time when the executive session will be concluded

RCW 42.32.030 states in part:

The minutes of all regular and special meetings except executive sessions of such boards, commissions, agencies or authorities shall be promptly recorded and such records shall be open to public inspection.

The *Budgeting, Accounting and Reporting System* (BARS) manual, Chapter 3 - Expenditures and Disbursements, Section F - Voucher Certification and Approval - Chapter 42.24 RCW states in part:

. . . the following statement must be entered in the minutes of the governing body: (Emphasis ours.)

Vouchers audited and certified by the auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing which has been made available to the board.

As of this date _____ the board, by _____ vote, does approve for payment those vouchers included in the above list and further described as follows: (funds) voucher numbers _____ through _____ in the total amount of \$ _____.

District officials are aware of the need to accurately record the detail of their meetings as the management letter from our prior audit reminded them. The result of the incomplete minutes is a deficient record of board discussions and decisions, which deprives the public of the ability to adequately monitor the activities of their elected representatives. In addition, the district has been paying additional compensation to the Board Secretary for a service that appears to have been inadequately performed.

We recommend district officials act to comply with their responsibility to properly document board meetings by:

- a. Preparing complete and accurate minutes for all meetings held

- b. Including detail of all vouchers issued, and assuring that the voucher amounts issued by King County agree to the amounts authorized.

3. District Commissioners Need To Improve Internal Controls Over Payments For The Board Secretarial Function

Our audit of district records determined additional compensation paid for performing board secretarial functions was not properly authorized and was not consistently paid. District management was unable to provide a board resolution establishing the amount of compensation, a description of the services to be performed, the manner of payment, nor the board member or other individual designated to be paid for the secretarial services rendered. The board of commissioners had 24 regularly scheduled meetings in 1992 and 23 such meetings in 1993. Compensation of \$45 per meeting was paid for the service of attending the board meetings, taking manual notes, and typing official board minutes for the commissioners' reading and approval. For the years 1992 and 1993, the board "secretarial compensation" was sometimes paid to an employee of the district's legal counsel and at other times to Commissioner Rohrer. The minutes of the February 5, 1991, board meeting indicated Commissioner Rohrer was appointed board secretary for 1991. The minutes for 1992 did not establish a change despite the intent of the board to rotate positions, as indicated in the February 5, 1991, minutes.

RCW 57.12.010 states in part:

... The board shall annually elect one of its members as president and another as secretary . . . In addition, the secretary may be paid a reasonable sum for clerical services . . . No commissioner shall be employed full time by the district . . .

Additionally, RCW 42.32.030 states:

The minutes of all regular and special meetings except executive sessions of such boards, commissions, agencies or authorities shall be promptly recorded and such records shall be open to public inspection.

The apparent confusion and conflict as to whom the district was to pay for the duties of secretary arose after Commissioner Rohrer's appointment when he stated:

He would be taking over the position of secretary/treasurer for the ensuing year, and advised the taking of the board minutes would thereafter become his responsibility and not that of the district.

As a result of accepting this arrangement, the board appears to have abdicated its responsibility to determine and monitor the individual taking and transcribing the minutes of board meetings.

We recommend district commissioners establish, by resolution, appropriate policies and procedures for the board secretarial function.

We further recommend the board of commissioners annually elect one of its members as board secretary.

4. District Officials Should Meet Certification Requirements On Vouchers Submitted For Payment To King County

Water district officials submitted 48 blanket voucher approval documents to King County for the audit period 1992 and 1993. Sixteen of these requested documents did not have the required signature of the district's auditing officer certifying the requested disbursements were correct. In two additional instances, a stamp was used rather than the auditing officer's signature. There are three instances in which a majority of the board of commissioners did not complete their required certification and approval of the voucher request.

RCW 42.24.080 states in part:

All claims presented against any . . . district . . . shall be audited, before payment, by an auditing officer elected or appointed . . . Such claims shall be prepared for audit and payment on a form and in a manner prescribed by the division of municipal corporations in the state auditor's office. The form shall provide for the authentication and certification by such auditing officer that . . . the claim is a just, due and unpaid obligation against the municipal corporation or political subdivision; and no claim shall be paid without such authentication and certification.

District officials were aware of the certification requirement. The public report for the years 1988 and 1989 included a compliance finding concerning voucher certification. It was pointed out to the district in the succeeding audit that a stamped facsimile signature was not acceptable for certification. The result is the possibility of payment of unapproved amounts to unapproved vendors for unauthorized services.

We recommend the auditing officer certification language on each blanket voucher approval document be appropriately signed, and that a majority of district commissioners indicate their approval as required.

5. District Officials Should Implement Penalties For Late Payments

Water district officials have not implemented a policy to assess penalties for late payment of water bills. Outstanding balances are carried as delinquent 60 days after billing. After another 60 days without payment, customers are sent a delinquency notice, and notified of impending water shut-off. If no payment is received within another 14 days, the customer's water meter is shut off. A fee of \$25 is charged to shut off, and \$25 to re-establish water service.

RCW 57.08.080 states in part:

The commissioners shall enforce collection of the water connection charges and rates and charges for water supplied . . . by addition of penalties of not more than 10 percent thereof, in case of failure to pay the charges at times fixed by resolution . . .

. . . The charges and any penalties added thereto and interest thereon at the rate of not more than 8 percent per year, shall be a lien against the property upon which the service was received . . .

District commissioners were apparently unaware of their authority, responsibility, and capability to enforce penalties for late payments.

Failure to assess late payment penalties and interest on outstanding balances results in a financial loss to the district and weakens the district's legal status for the enforcement and collection of late water usage payments.

We recommend district commissioners fulfill their legal responsibility by establishing a policy and supporting procedures to assess appropriate late payment penalties.

We further recommend district management uniformly apply the interest and penalties to all delinquent accounts.

6. District Management Should Update The District's Comprehensive Water Plan

Our audit of district records determined the last approved update of its comprehensive plan was accepted in 1984. These plans are required to be submitted to the Washington State Department of Health and to the county in which the district is located, and must be updated at least every five years. An extension of time beyond the five-year criteria may be requested in writing and granted by the Washington State Department of Health. The district has neither applied for nor received such an extension.

The district's comprehensive (water service) plan is the basis for its proposed area of service, including maintenance of facilities, future construction, annexations, and coordination with King County zoning and land use planning.

The district commissioners have discussed the need to update the comprehensive plan, but have not authorized such work. A capital facilities plan was prepared and submitted in conjunction with the district's application for a Washington State Public Works Trust Fund loan.

WAC 246-290-100 (Water System Plan) states in part:

(5) Department approval of a water system plan shall be in effect for five years from the date of written approval . . .

(6) The purveyor shall update the plan and submit it for approval every five years. However, if only minor alterations to an existing plan are considered necessary, the purveyor may submit evidence supporting this conclusion in a letter to the department for approval.

WAC 246-290-060 (Variances, exemptions, and waivers) states in part:

(1) Statements and written materials regarding the request may be presented to the board at or before the public hearing wherein the application will be considered.

In the past, the board decided not to invest the resources to have an updated plan prepared and at present, they have not changed that view.

Failure to update its comprehensive plan as required represents a default of civic and operational responsibility by the board of commissioners, and could deprive district customers of their opportunity to influence land use decisions, the district itself from qualifying for low cost financing or grants, and continued access to regional water planning and resources.

We recommend district management and commissioners act immediately to update the comprehensive (water service) plan and have it approved by the appropriate agencies.

7. District Management Should Improve Internal Control Procedures Over Payroll

Our audit determined district management needs to improve internal controls over payroll. Management added temporary personnel for monthly meter reading and for specific projects. None of the new or temporary staff members were hired using a documented system for personnel hiring.

For the period January 1, 1992, through December 31, 1993, the district employed at least 16 temporary meter reading personnel without board authorization, and no details of the working relationship were readily available. In addition, an operations analyst was hired without documentation of the hiring/interview process and his hours were not processed through the district's normal payroll system.

Failure to document the hiring process and the details of employee work relationships may result in preferential treatment of some employees, and may permit these differences to be undetected. Exempting any personnel from the standard timekeeping system may permit payroll fraud and/or inaccuracies in hours and benefits reported to payroll regulatory agencies.

We recommend district management improve its internal control procedures over the payroll process by:

- a. Establishing a policy and supporting procedures to advertise for known or expected staff vacancies.
- b. Documenting the interview and selection process for all new and temporary employees.
- c. Reporting the details of all new employee relationships, including hire date, start date, pay rate, work hours, job responsibilities, and mandatory deductions or employee benefit including all employees on a common timekeeping payroll system.